

Efficiency of corporate social responsibility (CSR)

[Efficacité de l'engagement des entreprises dans les investissements socialement responsables (ISR)]

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Ahold's main CSR principles

1. Promoting health and wellbeing
2. Providing safe and responsible products
3. Operating efficiently with regard for the environment
4. Valuing diversity and providing a great work environment
5. Supporting the communities we serve
6. Practicing business ethically and responsibly

Source: Inspiring healthy lives

- Interim Corporate Social Responsibility Report 2005, p.10.

Vertical Relationships And Joint Private Safety Standards

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GLOBALGAP (EUREPGAP)

Partnership for safe & sustainable agriculture

Primary aim to ensure consumer confidence in food quality and food safety but also environmental and working conditions



NOT communicated to consumers



> 80 000 certified producers in 80 countries



MARKS &
SPENCER

Sainsbury's
Try something new today

TESCO

Objectives

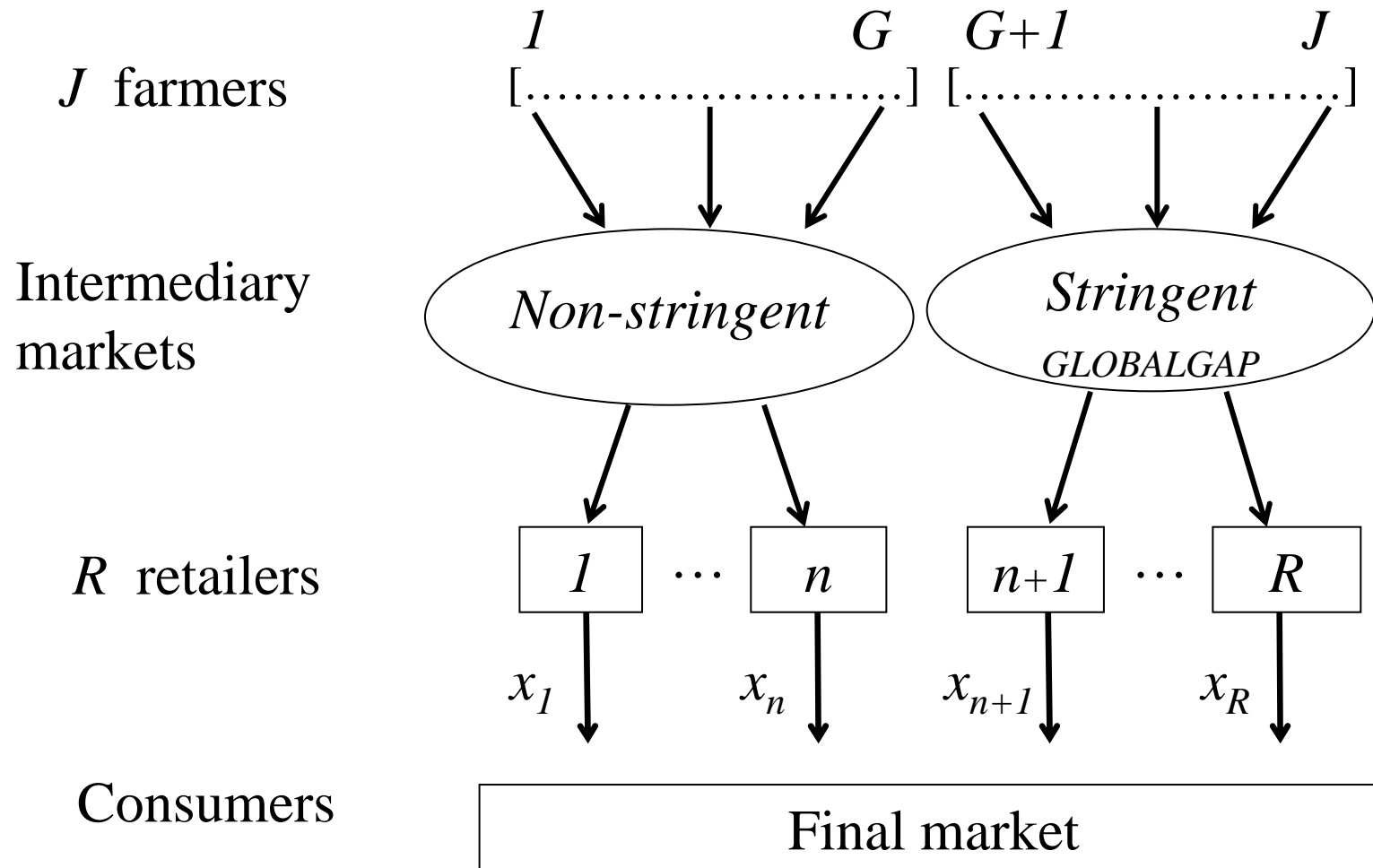
Under what conditions can a “safer” intermediary market emerge and coexist with a “less safe” market?

What is the optimal coalition size of a joint private standard?

How does a joint private standard affect the

- risk that a food crisis occurs?
- profitability of firms and welfare of consumers?

Vertical structure with two intermediary markets



How are retailer profits affected when additional retailers require the standard?



Effect on profit as additional retailers join = effect on input price + effect on quantity + effect on market risk

	Effect on profit as additional retailers join	=	effect on input price	+	effect on quantity	+	effect on market risk
C o a i	varies	=	≤	+	≤	+	≥
F r i e	≥	=	≥	+	≥	+	≥

Conclusions – Joint Private Standard (*JPS*)

Existence of a cost of liability crucial for existence of *JPS*

With a cost of liability a *JPS*

- ⇒ risk of failure ⇓
 - ⇒ producer profits & profits of ALL retailers ⇑
 - ⇒ consumer welfare ⇑
-

A larger cost of liability implies that a *JPS*

- ⇒ risk of failure ⇓
 - ⇒ # of retailers requiring standard ⇑
-

A more stringent standard

- ⇒ size of coalition ⇓
- ⇒ risk of failure ⇑ or ⇓

Concluding Remarks

Joint Private Safety Standards

- Not communicated to consumers
 - ⇒ free-riding behaviour
- Affect market risk, trans.costs, behaviour, profitability
- *JPS* an insurance (for firms, investors)
- Liability rules promotes *JPS*
- If all retailers require a *JPS*, then
 - *JPS* becomes public standard (integral cartel)
 - may cause exclusion